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PP RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHVJ #0814/01 1031704
ZNY CCCCC ZZH
P 131704Z APR 06
FM AMEMBASSY SARAJEVO
TO RUEHC/SECSTATE WASHDC PRIORITY 3241
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEKJCS/JCS WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUFOAOA/USNIC SARAJEVO PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 SARAJEVO 000814

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DEPT FOR D (SMITH), P (BAME), EUR (DICARLO), EUR/SCE
(ENGLISH, SAINZ, FOOKS), NSC FOR BRAUN, USNIC FOR WEBER,
GREGORIAN

E.O. 12958: DECL: 04/10/2016

TAGS: [PREL](#) [PGOV](#) [BK](#)

SUBJECT: BOSNIA: HDZ REBELS FOUND BREAKAWAY PARTY -- WITH
DANGEROUS IMPLICATIONS FOR CONSTITUTIONAL REFORM

Classified By: AMBASSADOR DOUGLAS MCELHANEY. REASON: 1.4 (B) AND (D).

11. (C) SUMMARY AND COMMENT: On April 8, HDZ rebels -- some formally ousted from HDZ by its leader, Dragan Covic -- founded a new BiH political party: "HDZ 1990." The name is intended to recall (supposed) prewar days of Croat unity in BiH. The approximately 350 attendees at the session were a schizophrenic mix of anti-Covic moderates and hardline nationalists, an unstable pairing made possible largely by shared electoral ambitions. But while "HDZ 1990" may not be viable over the long term, it is bad news for the constitutional reform package agreed by party leaders last month (and scheduled for parliamentary debate two weeks from now). For "HDZ 1990," opposition to Covic means opposition to the package. In the days ahead, we (and European ambassadors) will heighten the pressure we are already putting on HDZ 1990's more moderate members (particularly Martin Raguz), trying to get them to take a more constructive stance. It will be an uphill battle. In a meeting this week with HDZ 1990's leader, the Ambassador underscored that America and the EU would judge this new party by its stance on constitutional reform. Our first goal: getting HDZ 1990's MPs to allow the constitutional reform package to move from committee to the House floor -- even if their proposed amendments are rejected. At this point, the committee vote hinges on three votes, one of which belongs to HDZ 1990's Martin Raguz. His support is critical if the package is to move forward. END SUMMARY.

THE OUSTED, THE DISAFFECTED AND THE REPREHENSIBLE JOIN FORCES

12. (C) Since Dragan Covic's removal from the BiH Presidency last year, he has focused on consolidating his leadership of BiH's primary Bosnian Croat political party, HDZ. But Covic's election as party president was highly controversial, with well-founded allegations of a fraudulent vote count at last June's party congress. Covic's challenger, Bozo Ljubic, protested strongly and publicly -- joined by sympathizers from within HDZ ranks. Covic, however, brooked no opposition. In November, Covic formally ousted Ljubic, Parliamentary Speaker Martin Raguz and Federation Deputy Speaker Josip Merdzo from HDZ. These "rebels" were left with few options. Joining one of the fringe Croat parties would not get them what they needed: viable candidacies for office in the October 2006 general elections.

13. (C) They joined forces with Ljubic at Saturday's "founding congress," along with some 350 other attendees. Prominently arrayed in the ranks were not only relative moderates such as Raguz, but also some with troubling

hardline credentials. Among the latter: Vinko Zoric, a Croat member of the BiH House of Representatives who was a known advocate of Croat self-rule. Other attendees at the conference with hardline backgrounds: Slavica Josipovic, Pero Markovic, and Ivo Lozancic. Their credentials were reinforced by the large presence of those active in the "Third Entity" movement of 2000-2002 (Note: the international community acted forcefully to blunt this movement, including via the removal, by then-High Rep Petritsch, of the ethnic Croat member of BiH's Tri-Presidency). In addition, the Congress gave special recognition to the "founders of the HDZ and HVO."

WHAT DOES HDZ 1990 STAND FOR?

14. (C) With this troubling membership mix, HDZ 1990 desperately needs a defining issue beyond mere personal opposition to Covic. And it believes it has found one in the Covic-backed constitutional reform package now before Parliament. At the congress, Covic-challenger Bozo Ljubic alleged that the agreement would reduce the Croat people to a national minority, and termed it unacceptable. Martin Raguz echoed Ljubic's opposition -- while underscoring that HDZ 1990 took as its model Sanader's HDZ in neighboring Croatia. Vinko Zoric called the constitutional changes a "betrayal of the Croat people" in BiH and said he would rather see his "hands dry up" than sign on.

15. (C) HDZ 1990's program hits on predictable themes. It advocates a decentralized state "which respects the tripartite separation of power." Looking at current constitutional reform efforts, the program specifically singles out retention of qualified majority voting for condemnation. It insists on a new constitution for BiH, and

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advocates a federal formula based on ethnic, geographic, economic, traffic and historical criteria. However, a none-too-subtle sub-theme is one that smacks distinctly of "third entity," a non-starter for the USG and European capitals.

U.S. PUTS THE PRESSURE ON LJUBIC TO LIMIT IMPACT ON CONSTITUTIONAL REFORM

15. (C) With constitutional reform scheduled for debate in the House of Representatives, every HDZ vote counts. That is true not only in the vote in the Constitutional and Legal Affairs Committee (CLAC) on April 18, but also on the House floor on April 24. It is therefore troubling to find that two HDZ parliamentarians have sent HDZ 1990 letters of support (though hedging their votes by not joining): Ruza Sopta and Filip Andric.

16. (C) The Ambassador met with HDZ 1990 leader Ljubic on April 12. The Ambassador sent Ljubic a clear message: the U.S. would judge its relationship with his party based on its ability to play a constructive role on constitutional reform. We understood that HDZ 1990 would try to lobby for certain amendments (Ljubic focused on qualified majority voting and beefing up the role of the House of Peoples) -- but HDZ 1990 should not make rejection of amendments an obstacle to eventual support of the package. If HDZ 1990's proposed amendments failed, we expected party members to allow the reforms to move forward.

17. (C) Ljubic argued that HDZ 1990's requests were reasonable; he himself could not support the constitutional reform package, as it currently stood, in Parliament. The Ambassador pressed: Ljubic was not an MP, but had influence on those HDZ 1990 members and sympathizers who were. Ljubic needed to allow HDZ 1990 MPs to support the package. The U.S., the EU and the international community would judge HDZ 1990 on the basis of its conduct at this crucial moment.

AND ON OTHER HDZ 1990 MPS

¶8. (C) The Ambassador made a similar argument to Martin Raguz, who is sweating the pressure. When the High Representative spoke to Raguz on April 12, Raguz did not suggest blocking the package. Rather, he indicated that, while he could see the possibility of getting HDZ 1990s amendments adopted, he did not exclude seeing the package moving forward unamended. However, Raguz was clearly looking for assurances that the issue of qualified majority voting could be raised, again, in "phase 2." The Ambassador meets with Raguz again today; we will provide further details septel.

¶9. (C) Finally, we are also pressing two other key MPs. Filip Andric, while HDZ, is on the outs with Covic. While he has not formally cast his lot with HDZ 1990, he knows that, as a witness against Covic in his upcoming trial, he may be booted from HDZ in the near future and will be looking for a soft landing. Andric's opposition to constitutional reform is strongly focused on the role of the House of Peoples. The Embassy message to Andric: given his critical role in the committee stage, Andric needs to allow the package to move to the floor, unamended.
MCELHANEY